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Jim

Attached is a memo on Soviet Defense Spending 1973-82, updating our paper of last year, for Senator Cohen. You will notice that the data stops in 1982. We are currently in the last stages of our annual database update which will lead to a decent preliminary look at 1983. Because the new database has not been fully reviewed and audited, we feel it is too early to release the 1983 estimate.



Liaison Division

FORM 1533 OBSOLETE
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MEMORANDUM

SUBJECT: Soviet Defense Spending 1973-82

1. Over the 1973-82 period, the Soviet Union has devoted a considerable amount of resources to their military forces. We estimate that cumulative Soviet expenditures for all defense activities during the period--including military RDT&E--was about 650 billion rubles. In 1982 alone, we estimate that Soviet spending on these activities consumed about 13-14 percent of their GNP.

2. The Soviet commitment of resources to defense has increased each year since 1973 by about 3 percent per year. However, while spending grew by about 6 percent a year for 1973-76, after 1976 growth slowed to less than 2 percent a year through 1982. In our estimate, military RDT&E expenditures have been the primary source of growth in total defense spending since the mid-1970s. In contrast, procurement of weapons and equipment, which had been the most important driver of Soviet defense spending growth prior to 1976, has shown little or no growth since then and was a major contributor to the decline in the rate of spending growth since 1976. It is important to note, however, that while Soviet procurement spending leveled off after 1976, it did so at a relatively high level--nearly half of total defense spending--and provided sufficient resources for the Soviets to continue to modernize, and in some cases expand, their military forces in the late 1970s and early 1980s.

3. Soviet defense expenditures can also be aggregated in terms of major missions carried out by the different components of the forces. This enables us to measure the relative emphasis, in resource terms, that the Soviets have placed on the various military missions over time. For example, we estimate that Soviet spending on strategic offensive and defensive programs--about one-fifth of total cumulative defense spending--has declined slightly since the mid-1970s and was a major contributor to the slower growth in total defense spending since 1976. In part, this decline reflects a historical pattern where costs temporarily decline as older programs are completed and retooling takes place for production of new programs that we already see in the late stages of development. The major contributor to the decline in strategic costs was the intercontinental attack component--ICBMs, SSBNs, and heavy bombers--which accounted for about one-third of the costs for the entire strategic mission and declined by about 6 percent per year from 1976 to 1982. The costs of the peripheral attack component--MR/IRBMs, medium bombers,

* We estimate the resource devoted to defense in constant 1970 ruble prices, so that we can measure real growth in defense -- that is changes in military manpower, the volume of procurement and construction and the scale of RDT&E and O&M--excluding the effects of inflation.

and some submarines--and the strategic defense component--air defense interceptors, strategic SAMs, and ABM defenses--had less of an impact on cost trends for the strategic mission although they account for 10 percent and 40 percent respectively of the cumulative costs for the entire mission. The cost of Soviet general purpose forces--about one-third of total spending--has increased since the mid-1970s, but at a slow rate. This growth reflected continued Soviet efforts to expand and modernize their ground forces and general purpose naval forces, about 50 and 20 percent respectively of cumulative costs for the entire general purpose mission.

4. Two observations are in order. First, our estimates of Soviet defense spending are best used to measure the overall magnitudes and trends in the Soviet commitment to defense in terms of resource inputs. They are useful primarily as a measure of the burden of defense on the Soviet economy and not as a measure of military effectiveness. They also allow us to measure the relative emphasis the Soviets place on the different missions of their armed forces. Second, the slower growth in total defense spending that has taken place since the mid-1970s should be viewed in the context of the absolute magnitude of these expenditures. Because of the steady spending growth that occurred prior to the mid-1970s, the levels are so great it has enabled the Soviets to undertake a substantial amount of military modernization even with the slower growth.